

Message Text

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ORIGIN EB-08

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FM SECSTATE WASHDC
TO AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EAIR, PL

SUBJECT: CIVAIR: US-POLAND CONSULTATIONS

1. SUMMARY: CONSULTATIONS WERE HELD IN WASHINGTON, MAY 10-12, TO CONSIDER SEVERAL BILATERAL AVIATION ISSUES. IN AN AGREEMENT LIMITED TO 1978, BOTH SIDES AGREED TO AMEND THE PROVISIONS OF THE AUGUST 26, 1976 MOU BY AN EXCHANGE OF NOTES TO PROVIDE FOR A 4.5 MILLION DOLLAR SALES GUARANTEE FOR 1978 FOR PAN AM AND 38 EXTRA SECTION FLIGHTS FOR LOT. POLISH DEL AGREED TO DAILY 707 SERVICE VIA VIENNA STARTING MAY 15 WITHOUT LOCAL TRAFFIC RIGHTS BUT WITH RIGHT TO CARRY STOPOVER TRAFFIC, AND TO INCREASE LIMIT OF CHARTER PASSENGERS PER FLIGHT TO 252 AND TO ACCEPT COUNTRY OF ORIGIN CHARTER RULES. DELEGATIONS AGREED TO MEET AGAIN BEFORE OCT. 31 TO DISCUSS ARRANGEMENTS FOR LIMITED OFFICIAL USE

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BEYOND DECEMBER 31. END SUMMARY.

2. US AND POLISH DELEGATIONS LED BY MICHAEL H. STYLES, DIRECTOR, OFFICE OF AVIATION AND ROMUALD PIETRASZEK, FIRST DEPUTY MINISTER, MINISTRY OF TRANSPORTATION, HELD

THREE DAYS OF PRODUCTIVE TALKS. THE POLISH SIDE ARGUED

THAT IT WAS UNABLE TO MEET THE SALES QUOTA GUARANTEE OF 4.5 MILLION DOLLARS FOR 1977 BECAUSE OF FUNDAMENTAL CHANGES IN THE US-POLAND AVIATION MARKET BROUGHT ABOUT BY THE INTRODUCTION OF LOW SCHEDULED FARES AND AN INCREASE IN CHARTERS. AFTER PRELIMINARY SPARRING, DURING WHICH THE POLES FIRST ALLEGED THAT THE QUOTA HAD BEEN MET BECAUSE PAN AM HAD CARRIED 4.1 MILLION DOLLARS IN LOCAL CURRENCY SALES AND .4 MILLION DOLLARS IN HARD CURRENCY SALES, POLES CONCEDED THAT THE QUOTA HAD NOT BEEN MET AND THAT IT WAS UNLIKELY THAT IT COULD BE MET THIS YEAR. THEY PROPOSED THAT THE QUOTA FOR '78 BE SET AT 4.2 MILLION DOLLARS. FYI: INS FIGURES SHOW AN APPARENT DROP OF SOME 18.5 PERCENT IN POLISH TRAVEL IN 1977 COMPARED WITH 1976 WHICH WOULD, ONCE THE 0.5 MILLION DOLLAR SHORTFALL FOR 1977 IS ADDED, REDUCE THE QUOTA LEVEL FOR 1978 TO ABOUT 4.2 MILLION UNDER THE AUGUST 26, 1976 MOU'S FORMULA. END FYI.

3. US DEL DOUBTED EFFECT OF LOW FARES ON 1977 MARKET NOTING THAT FARES WERE INTRODUCED TOO LATE IN YEAR TO HAVE EFFECT ALLEGED BY LOT AND FURTHER NOTED THAT LOT ITSELF OPERATED BULK OF CHARTERS. US DEL EARLY LINKED APPROVAL OF DAILY NARROWBODIED SERVICE VIA VIENNA TO POLISH FAILURE TO IMPLEMENT OBLIGATION OF FACILITATING ENTRY OF WIDEBODIED AIRCRAFT IN WARSAW IN 1978. APPROVAL OF LOT'S REQUEST FOR 38 EXTRA SECTIONS WAS LINKED TO LIMITED OFFICIAL USE

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IMPROVED 1978 PERFORMANCE ON SALES QUOTA. IN THE END, POLISH DEL APPROVED DAILY 707 FLIGHTS VIA VIENNA. SALES FOR 1978 WERE FINALLY AGREED AT 4.5 MILLION DOL. A TER USDEL STATED IT COULD NOT APPROVE LOT'S EXTRA SECA N IF 1978 QUOTA ANY LESS THAN 1977.

4. POLISH DEL SAID THAT SUPER APEX HAD CUT TOO DEEPLY INTO YIELDS AND SAID THAT LOT INTENDED TO REVISE ITS TOTAL FARE STRUCTURE UPWARD FOR POLISH ORIGIN TRAFFIC AT THE END OF THE CURRENT SUMMER SEASON. US DEL INSISTED THAT US AIRLINE'S BUDGET, APEX AND STANDBY FARES WERE DESIRABLE FOR US ORIGIN MARKET. POLISH DEL AGREED THAT EITHER SIDE COULD PREVENT THE INTRODUCTION OR CONTINUATION OF BUDGET, APEX OR STANDBY FARES ONLY FOR TRAFFIC ORIGINATING IN ITS OWN TERRITORY. THUS, PAN AM WILL NOW BE FREE TO OFFER BUDGET FARE FOR US (BUT NOT POLISH) ORIGIN TRAFFIC.

5. US DEL EMPHASIZED OUR DISSATISFACTION WITH GOP AND LOT TREATMENT OF CHARTERS FROM US TO POLAND IN WHICH CLEAR DESIGN OF POLISH SIDE WAS TO SHIFT CHARTER TRAFFIC TO LOT SCHEDULED SERVICES. EVIDENCE OF THE SUCCESS OF

THIS SCHEME WAS THE OVERBOOKING OF SCHEDULED SERVICE WHICH REQUIRED LOT TO ASK FOR 38 EXTRA SECTION FLIGHTS BEGINNING MAY 14. AFTER CONSIDERABLE DISCUSSION, POLISH DEL AGREED THAT DURING THE REMAINDER OF 1978, PASSENGER AND CARGO CHARTERS WOULD BE ALLOWED UNDER RULES OF THE COUNTRY OF ORIGIN WITHOUT PRIOR APPROVAL AND THAT FORMER 200 PASSENGER LIMIT WOULD BE REVISED TO 252 (THE CAPACITY OF STRETCH DC-8).

6. COMMENT: THE AGREEMENT REACHED IS A PALLIATIVE AND NOT A SOLUTION TO THE UNDERLYING PROBLEMS IN US-POLISH AIR TRANSPORT RELATIONS. HOWEVER, WE SEE THE AGREEMENT AS A MUTUALLY ADVANTAGEOUS INTERIM ACCOMMODATION AND A SIGNAL OF US RESOLVE THAT LONG TERM PROBLEMS BE RESOVLED LIMITED OFFICIAL USE

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BEFORE YEAR END, AT WHICH TIME AIR TRANSPORT AGREEMENT WILL AUTOMATICALLY TERMINATE UNLESS NEW AGREEMENT REACHED. POLES INVITED USDEL TO HOLD NEXT MEETING IN WARSAW IN SEPTEMBER OR OCTOBER. WE AGREED BE IN TOUCH TO ESTABLISH DATE AND SITE. VANCE

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